Testimony of Barbara Determan

President,National Pork Producers Council

Mr. Chairman and Members of the Committee,

Pork producers are pleased to testify today on farm commodity programs and other policies that will ultimately become part of the next farm bill produced by the House Agriculture Committee. I am Barbara Determan, a hog, corn and soybean producer from Early, Iowa. I am also the President of the National Pork Producers Council (NPPC).

The U.S. pork industry represents a major value-added activity in the agricultural economy and a major contributor to the overall U.S. economy. The $8.7 billion of gross receipts from hog marketings in 1999 represent only a portion of the economic activity supported by the industry. Although the U.S. hog industry has undergone changes in recent years, over 575,595 US residents are involved in various aspects of the industry ranging from input suppliers to producers, to processors and handlers as well as mainstreet businesses that benefit from purchases by people in these industries.

Changing Pork Industry Trends

Global competition, new technologies, and consumer demands are but a few of the factors that are rapidly changing the U.S. pork industry. Hogs are raised differently today than even just 20 years ago. Hog farms are managed in new and innovative ways. Hogs are marketed on a carcass weight-carcass merit basis verses the traditional live weight selling in the past. Both producers and the packing industry are vastly more efficient but much less flexible than in the past.

Consumer attitudes will determine the future face of the U.S. pork industry. Consumers are generally more demanding about what they eat, its nutritional content and taste. They are more cognizant of and more accepting of familiar brands than ever before which is leading producers into new and exciting marketing and production alliance opportunities and market segmentation and differentiation. Coordination of the production and processing chain with consumer demands is more and more critical to the success of all industry participants, but perhaps most critical to the future of producers.

The pork industry is becoming increasingly global and more competitive than ever before. Because of the internet and the nature of global communications, information and technology are extremely mobile and instantaneous. Canada, the EU, Brazil and Argentina are becoming worldwide competitors as their industries grow and mature.

Food Safety and environmental protection will play an ever greater role in the decisions made on the farm. Consumers expect meat to have zero risk of food borne pathogens, while also demanding a reduction in the amount of antibiotics involved in livestock production. Environmentally, agriculture is moving inexorably from an unregulated to a

regulated industry, driven again by consumer desire for food produced with little adverse environmental impact. Nutrients in rivers and streams caused by farm runoff will no longer be an acceptable byproduct of productive modern American agriculture in the future.

I. Federal Farm Policy

While the issue at hand today is the future of commodity programs, pork producers believe the next farm bill must also focus on trade, conservation, market competitiveness and bio-security issues, just to name a few, in order to improve the long-term competitive position of U.S. pork producers both domestically and internationally. We look forward to probing these issues in subsequent hearings. Thus, while our testimony today reflects our thinking on commodity programs, the remainder is dedicated to what we believe are proposals that are critically needed to enable pork producers to remain profitable in the long term.

U.S. pork producers believe that the best way to enhance our potential for profit is to have the market forces of supply and demand determine levels of production and price. Pork producers have operated for virtually our entire history in a marketplace without government subsidies and controls.

We still believe that U.S. agriculture is best served by a market-oriented approach which allows consumer signals regarding the quantity and quality of products they desire to be sent to producers without any undue government intervention.

Changes in commodity programs could potentially have an adverse financial impact on our industry, should those changes have the effect of substantially raising the price of our basic feed ingredients, corn and soybeans, which constitute approximately 65 percent of the cost of raising a hog. Conversely, as major customers of grain and oilseed producers, issues and problems for our industry invariably affect grain and oilseed prices.

Nearly 11.7 million litters of pigs farrowed in the U.S. in 1999 consumed roughly 1.13 billion bushels of corn (valued at $2.713 billion) and about 454 million bushels of soybeans (valued at $2.102 billion). On average, the U.S. hog industry uses 16 percent of the soybeans and 12 percent of the corn raised in America.

The Federal Agriculture Improvement and Reform Act of 1996 was an effort toward a more market-oriented approach to farm policy. The creation of "freedom to farm" allows farmers more flexibility in their choice of crops and gives them the ability to better respond to market signals. NPPC believes that American agriculture will be best served by market signals and a farm policy that allows those signals to be generated and sent efficiently. The FAIR Act of 1996 gets closer to embodying this principle than any farm policy to date. Therefore, the FAIR Act is still supported by NPPC.

Removing policy tools such as production controls (through mandatory set-asides and other acreage reductions), and government financed or government owned reserves has

allowed U.S. grain to compete in world markets and has lowered its cost to U.S. livestock producers. The inclusion of declining, de-coupled payments to farmers who had grown accustomed to government subsidies was a reasonable way of transitioning to the envisioned market-based policy.

But even the FAIR Act contained items of government involvement that cause misallocation of resources and less than optimum economic results. One example is the distortionary effects of loan rates for corn and soybeans. Shifts in acreage away from both corn and wheat to soybeans are clear evidence of this imbalance. Analyses by other agricultural groups suggests that this shift has been a net cost to the livestock industry and that, therefore, a re-balancing of loan rates would yield more optimum acreage allocations and reduce feed costs by reducing the market price for corn.

The price of soybeans (and therefore soybean meal) would increase from such a change but pork producers use relatively more corn than soybean meal, so total feed costs would decline. Note that the re-balancing can be accomplished so as to make it cost neutral from a government outlay point of view. In fact, a unilateral reduction of the soybean loan rate would accomplish the re-balancing goal and, since it doesn't involve increasing any other loan rates, would result in less government outlays. A reduction in the soybean loan rate of nearly 20 percent would be required to balance returns above variable costs for Iowa grain producers.

Similar reductions would be necessary in other parts of the country. A better course of action would be to reduce soybean loan rates and increase loan rates for other crops so as to 1) balance returns above variable costs per acre across the various crops and 2) meet whatever expenditure goals Congress wishes. Since the policy would increase some rates while reducing others, it would be possible to meet virtually any desired expenditure level.

Pork producers believe that it is possible to construct a program that helps farmers with low commodity prices, without punishing livestock producers. The best commodity program would be one that allows U.S. corn and soybeans to be competitively priced in world markets and that does not jeopardize U.S. pork's access to export markets. If politically necessary, a general household income support program or revenue assurance system can be added to support rural families and communities. This support system would ideally be de-coupled from acreage and output.

Clearly, the experience of the last few years indicates additional funding will be necessary due to continued low commodity prices. But what levels are appropriate?

Direct funding under the Fair Act ($4 billion) is probably too little for 2001, while total disaster and market loss appropriations ($17.7 billion over the last three years) may not be fiscally and politically sustainable.

Land value surveys over the past three years suggest that government payments are being capitalized into land prices. Therefore, these outlays are larger than necessary to simply cover costs and support income levels. In addition, the continued use of "emergency"

funding, even if it is not amber or red box in trade negotiation terms, has eroded the United States' bargaining position regarding trade liberalization. With pork remaining one of the world's most protected industries, such erosion is obviously detrimental to the U.S. pork industry.
NPPC could support a counter–cyclical program, providing the program allowed U.S. market prices for grain to move with world supply and demand. This would allow U.S. livestock producers to buy grain at the same price as their competitors in other countries and, therefore, compete on their ability to convert grain to meat.

Stabilizing total revenues for U.S. grain producers would then, theoretically, support those producers' income levels. The devil of such a system is in the details, however, and NPPC would have to fully evaluate such details before deciding whether or not to support any specific proposal. Among the critical details would be whether revenues would be stabilized on a commodity-by-commodity basis or by general commodity groupings (e.g. feed grains, oilseeds, etc.). In addition, geographic breakdowns would be very important. Will revenue be viewed on a national, regional or state basis to determine stabilization levels? Finally, will there be a "balancing" criteria or mechanism to manage surpluses if they, in fact, build up over time?

Mr. Chairman, these comments reflect the preliminary views of pork producers as this Committee begins to consider what undoubtedly will be many proposals to change certain aspects of U.S. commodity programs. Pork producers look forward to working with the Committee as these ideas and proposals are examined and debated, as our industry will possibly be affected in a very fundamental way by the direction and scope of whatever changes eventually emerge.

II. Conservation and Environment

NPPC has been a leader in the development of science-based, affordable, achievable and sustainable environmental programs on behalf of our producers. Past farm bills and agricultural policies often focused on "today" and "today's" prices. However, a farm bill should be forward thinking to the greatest extent practicable. This is particularly important when it comes to private lands conservation and the demands being placed on agricultural producers to provide a "public benefit" regarding clean water and clean air.

It is clear that among the challenges to agricultural producers in coming years will be the costs involved in implementing sound conservation practices to protect our nation's air and water, including the costs of compliance with a variety of regulatory requirements on the state, federal and local levels.

A. $10 Billion Needed

We urge that the Committee support a 2002 budget resolution that provides at least $10 billion over the life of a five year farm bill in mandatory spending for USDA conservation programs to address livestock's environmental needs, specifically for water and air quality. These funds should be used to provide financial incentives, cost sharing,

and technical assistance to livestock, dairy and poultry producers to develop and implement manure and nutrient management plans that are built on technologies and practices that protect water and air quality.

Justification can be given for an even larger request. The livestock industry's analysis, discussed below, estimates that the minimum amount needed over 10 years to be $12.2 billion. Assuming a cost share rate of 75 percent (as in current law for the Environmental Quality Incentives Program) and given that these are underestimates of the complete costs, we are requesting $10 billion.

B. Analysis of the Assistance Necessary

Livestock producers in several states face, or will soon face, costly environmental regulations as a result of state or federal law designed to protect water quality. The federal regulations under the Clean Water Act include the Total Maximum Daily Load Program (TMDL's), and the proposed new Concentrated Animal Feeding Operations (CAFO's) permit requirements. Federal regulators also are exploring the possibility of expanding federal regulation of agriculture under the Clean Air Act. At the same time, state legislatures or agencies around the country have enacted or are considering stringent environmental requirements that are to be applied to livestock producers, and in some cases, all of agriculture. Such states include Texas, Alabama, North Carolina, Maryland, New York, Pennsylvania, Wisconsin, Iowa, Washington, Oregon and California.

Producers of all sizes and types, more than ever, need federal financial and technical incentives to help them meet these challenges. In many instances, these new federal or state requirements will be very costly for producers to meet.

A good indicator of this pressure is the interest that agricultural producers have expressed in the Environmental Quality Incentives Program (EQIP), the new cost share and incentive payments program created in the 1996 farm bill. Since 1997, EQIP has not been able to fund 196,000 contract applications for $1.4 billion in environmental practices. Of that, $800 million came from livestock producers alone. As large as this interest is, it is a significant underestimate of the true need because many producers, knowing they would be turned down, have simply chosen not to apply in the first place. In addition, many producers never apply for assistance from EQIP because the 1996 Farm Bill prohibited owners of large confined livestock operations from being eligible for cost-share incentives for animal waste storage or treatment facilities. In general, USDA has defined a large confined livestock operation as an operation with more than 1,000 animal units.

Current water quality expectations for the livestock industry will cost swine, fed cattle, dairy and poultry operators with operations with more than 50 animal units at least $12.2 billion over 10 years. The livestock industry has estimated these costs and Table One below summarizes the results. Our staff is available to meet with Committee to review these estimates in detail. Staff considered the costs associated with both structural and agronomic measures and the associated technical assistance. The analysis also includes

an estimate of the costs operators will face as they seek additional land for the application of their manures. The analysis uses estimates of capital costs for such work, as provided by USDA, current public and private programs that are carrying out such activities, and USDA estimates of the number of livestock and poultry operations of various sizes subject to these provisions.

Table 1, 10 Year Costs, By Category and Species for operations with more than 50 animal units (in million dollars)

	Fed Cattle	Dairy Cattle	Other Cattle	Swine	Poultry	Total
Structural Measures	$346	$3,492	$1,321	$1,402	$813	$7,375
Structural Measures, Technical Assistance	$87	$873	$330	$351	$203	$1,844
CNMP Preparation	$42	$221	$142	$104	$84	$593
Ongoing Nutrient Mgmt, Soil and Manure Tests, etc.	$254	$297	$97	$306	$505	$1,459
Ongoing Nutrient Mgmt, Tech Assistance	$169	$172	$58	$184	$301	$884
Securing Additional Land for Spreading Manure	$8	$2	$0	$3	$33	$46
Total Cost	$906	$5,057	$1,948	$2,350	$1,939	$12,200

In comparison, EPA has estimated the costs of its proposed CAFO regulations for operations with more than 300 animal units at $930 million a year. EPA has underestimated the true costs to these livestock and poultry operators because, by OMB scorekeeping rules, they assumed that all of these operations are already in full compliance with current federal CAFO standards and requirements. We also believe that EPA has underestimated the true costs that operations between 300 and 1000 animal units will face to ensure they are not exposed to significant Clean Water Act liability.

The livestock industry's own analysis relative to livestock and poultry operations with more than 300 animal units does not represent the full costs of meeting the proposed federal CAFO regulation. Our analysis does not include the regulation's proposal for covering all swine lagoons and poultry manure, nor does it include the costs of lining

lagoons and pits in areas that could leak to groundwater that are in turn connected to surface waters. It also does not include the costs of hauling excess manure for application to the additional land necessary to meet a phosphorous (although we have estimated the costs of finding the land that would be used for this purpose).

Given these considerations, we feel that the bottom line of both the livestock industry's analysis and the EPA analysis is that it will cost the livestock, dairy and poultry industry $10 billion to meet these proposed rules or similar expectations.

C. A Program to Provide Conservation Assistance

We believe conservation issues can be addressed in a way that does not distort the market and does not add excessive costs to production. Conservation should be viewed as an investment in our nation's agricultural food production infrastructure rather than an expense or cost.

Within the context of conservation assistance, the focus should remain on locally led, voluntary, incentive-based approaches that rely on sound science rather than moving toward federal and state mandates. Within that framework, however, it is important to have mechanisms in place to penalize the "bad actors."

We cannot overemphasize this point: It is simply unacceptable for a producer to abuse water and air resources. Beginning with the National Environmental Dialogue on Pork Production in 1997 and continuing through the implementation of the groundbreaking On-Farm Odor and Environmental Assistance Program, pork producers of all sizes and types have proven that pork production and environmental stewardship can go hand in hand. The environmental performance of pork producers continues to improve every day and the industry refuses to allow the transgressions of a few destroy the progress of the many.

While a new program could be created to address these needs, we also believe that the current EQIP program could be amended in statute to be able to handle this situation. Specifically, the new program or the amended EQIP program should provide the following:

1) No Means Testing-- Any successful conservation assistance program must be available nationally and must be open without restriction to every producer, regardless of size or production system.
2) Manure and Nutrient Management--help producers plan, build and operate nutrient and manure management measures and systems.
3) Information and Data Management-- help producers improve and computerize their farm decision support data and record-keeping systems and;
4) Air Quality Management-- help producers plan and implement agricultural BMP's designed to improve air quality.
5) Technical Assistance—producers need technical assistance, and this should come from both USDA-based programs and from private sector conservation technical

assistance providers that meet USDA-NRCS standards and guidance (providers like Environmental Management Systems, Certified Crop Advisors, Independent Crop Consultants, conservation district professionals, other qualified persons).

6) Third Party Assessments-- a USDA-based program should be established to cover the costs to producers of purchasing a private sector, credible, third party assessment of a producer's adoption of environmental measures, consistent with the America's Clean Water Foundation's "On-farm Assessment and Environmental Review Program" and the "ANSI Standards" that are being established as part of this successful program.

We must emphasize just how important it is that the size of livestock operations not be used as a determinant of eligibility for this assistance. In our view, such a criteria will defeat fundamentally the environmental purposes of the program. One of the important reasons that EQIP has fallen short of it potential to improve the environment has been its prohibition against large livestock operations receiving waste management structural assistance. Instead of a size limitation, we feel it is much more appropriate and equitable if the livestock community is treated in the same manner, as the row crop producers through the use of a payment limitation. Only then can we hope to have the full environmental benefits of this program.

Yes Mr. Chairman, if I dare say it, we are requesting "parity". But not parity in the sense of the farm bill debates of the past. We are looking for parity in the treatment of livestock and row crop producers. The public wants livestock agriculture to provide environmental benefits – clean water – and we are not going to be paid for this in the marketplace. Only with parity can we afford to give society what they want, and realize the full environmental benefits of this program.

Table Two below lists specific examples of the amount and type of cost share assistance an individual producer should be eligible to receive under these provisions, assuming producers receive 75% of the total cost.

Table Two – Pork Producer Examples

Activity	Estimated Payment to Producer	Explanation
1) Preparation of a comprehensive nutrient management plan (CNMP)	$6000 total	Estimated one-time average payment to producer to cover costs of private sector assistance or public/private team
2) Installation of a new swine manure management system	$18,000 to $130,000 total	Estimated capital costs for a pork manure management system in (does not include costs for public or private technical assistance to plan and install the system)
3) Nutrient management -- (agronomic use) BMP's for 500 row crop acres on a pork operation	$5000 per year	BMP's include soil testing, manure testing, ensuring economic agronomic use of nutrients, split applications of manures and fertilizers and the technical assistance costs (either public or public/private team)
4) Information Management -- computerize and digitize farm management information, for 500 row crop acres on a pork operation	$1500 total	Estimated one-time average payment to producer to secure incentives to assemble and input farm data, and generate digitized maps from existing mapping resources
5) Team of 3rd party ag experts visit a farm to conduct an environmental assessment and review for an average sized pork operation	$3000 total	Cost per assessment, paid to producer. Individual producer decides whether or not to participate. Producer would use the funds to cover costs of private sector professionals to provide this service

In closing, NPPC supports at least $10 billion over the life of a five year farm bill in mandatory spending for USDA conservation programs to address these environmental issues. Our bottom line is that society is now demanding from a private entity – livestock agriculture -- a significant public good in the form of clean water. The pork industry has embraced this challenge and fully supports the objective. But we also feel that society should provide us with the same kind of assistance as other sectors of the economy when the time came for them to address their water quality needs.

Our $10 billion proposal is:

1) WTO legal and in the green box, and
2) Helps ensure that row crop operators have commercially viable domestic livestock customers.

D. Climate Change/Carbon Sequestration

The world, including the U.S., acknowledged climate change in 1992 at the Earth Summit in Rio de Janeiro, when the United Nations Framework Convention on Climate Change (UNFCCC) was opened for signature. In the Climate Change Convention, the international community agreed to prevent the harmful effects of climate change, such as shifts in agricultural zones and the melting of polar ice caps, which would cause sea levels to rise dangerously.

In 1997, Governments took a further step and agreed on the Kyoto Protocol that establishes targets for reduction of greenhouse gases emitted by industrialized countries. After 30 months of intense negotiations, the Kyoto Protocol was adopted in December 1997.

The Kyoto Protocol was open for signature between March 16, 1998 and March 15, 1999. During that period, 84 countries signed the Protocol, including the U.S. The treaty has never been presented to the U.S. Senate for ratification. However, the treaty has been ratified by a majority of the world's nations.

The Protocol contains two provisions that allow for the storage of carbon credits as a means of offsetting greenhouse gas emissions. Carbon sinks—areas that absorb carbon dioxide -- has been the most widely discussed issue at the latest round of discussions in the international arena. Despite the fact that the U.S. has not ratified the Kyoto Protocol, the previous Administration has made attempts to meet its Kyoto Protocol target of reducing greenhouse gas/carbon dioxide. Most experts acknowledge that unless the U.S. can claim credits from carbon sequestration, it has little chance of meeting its obligation targets under the treaty.

The Kyoto Protocol commits Parties to individual, legally binding targets to limit or reduce their greenhouse gas emissions by at least 5 percent from 1990 levels during the period 2008-2012. The targets cover emissions of the six main greenhouse gases: carbon dioxide (CO2), methane (CH4), and nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF6).

Pork producers believe that carbon sequestration credits should be available for land management practices including the soil incorporation of manure to reduce air emissions associated with manure spreading on land. Congress should determine and implement appropriate policies to stimulate the marketplace to pay for conservation benefits, provide support for quantifying carbon sequestration values and help develop markets for carbon sequestration credits. A sound research program must be supported at USDA in cooperation with all of the other Departments in the federal government to make carbon sequestration work.

E. Risk Management

The Agriculture Risk Protection Act of 2000 (ARPA/Crop Insurance) provided a $5 million grant to USDA's Risk Management Agency to support the development of market-oriented environmental risk management tools.

NPPC believes that the Agriculture Risk Management Act of 2000 produced an excellent starting point for finding market-oriented solutions for producers to manage environmental risks beyond their control. NPPC believes Congress should continue to support the development of market-oriented environmental risk management tools.

We believe that development of environmental market-oriented mechanisms is one example of the proactive, innovative approaches available to reduce environmental risks associated with livestock production in general.

F. Cooperation Between EPA and USDA

Cooperation between EPA and USDA must be in place regarding regulatory efforts underway at EPA in the water, solid waste and air offices. We must figure out a way to integrate USDA's technical voluntary standards/practices into EPA's air, water and solid waste regulatory policies. Regulatory issues affecting producers must be based on sound science, while being affordable and achievable. In addition, USDA should work with producers to help improve producer compliance with respect to air/odor and water regulations.

G. Conservation Reserve Program

The Conservation Reserve Program (CRP) is a voluntary program that offers annual rental payments and cost-share incentives to establish long-term resource –conserving covers on eligible land. The Commodity Credit Corporation (CCC) makes annual rental payments based on the agricultural rental value of the land and provides up to 50 percent of the participant's costs in establishing approved practices. Contracts run from 10 to 15 years. The CRP program goals are improved water quality and fish and wildlife habitat enhancement. In 1996, the CRP was amended to include a "Continuous sign-up" provision. The Clinton Administration established as its goal the installation of two million miles of buffers.

Continuous sign-up provides producers with the management flexibility necessary to implement certain high-priority conservation practices on eligible land, things such as riparian buffers, filter strips, grass waterways, shelter belts, field windbreaks, living snow fences, contour grass strips, salt tolerant vegetation and shallow water areas for wildlife. Also eligible is acreage within an EPA designated wellhead protection area. Offers are automatically accepted, provided the acreage and producer meet certain eligibility requirements. CRP is re-authorized through the year 2002 with up to 36.4 million acres being maintained at any one time in the program. The Secretary of Agriculture, within certain constraints, will allow participants to terminate any contract entered into prior to

January 1, 1995 provided the contract has been in effect for at least five years. The Secretary maintains discretionary authority to conduct future early outs. Because of lower than expected commodity prices over the past three years, some have expressed a desire to boost CRP acreage past the 40-million acre threshold as a means of controlling production. It is not clear whether increasing the CRP program would yield measurable conservation benefits. The potential increase in animal feed costs that would accrue from additional acreage set asides may also add to the controversy inherent in the proposal.

NPPC supports the current 36.4 million acres cap in the CRP program and believes the program must continue to be based on sound, measurable environmental benefits. As pork producers are faced with new environmental mandates in the next few years, NPPC believes the "Continuous sign-up" provision of the CRP program can be a vital tool to help producers implement best management practices to reduce water quality impacts.

III. Market Competitiveness Initiatives

Pork producers believe that the next Farm Bill must include funding for a number of projects to increase the market competitiveness of U.S. pork producers. These initiatives have been endorsed by delegates at Pork Forum, the industry's annual meeting.

Funding should be made available for significant new research initiatives in the areas of market conduct and performance. These initiatives should address at least the following specific topics:

1) Competitive research grants and research fellowships for work in industrial organization and anti-trust economics. New theory and analytical methods are needed in the computer-driven economy of the 21st century and not enough basic research is being done. Three-year fellowships of $25,000 to $40,000 per year would attract top graduate students and faculty members to this research area. Funding 20 such fellowships would cost $500,000 to $800,000 per year.

2) Research on hog market structure, competitiveness and behavior. The Department of Agriculture should conduct studies on hog market structure and competitiveness issues within the pork industry, outlining present realities, future scenarios and the implications for producers' economic wellbeing and our nation's food supply. Such studies have been conducted for the beef industry. It is high time that pork producers received the same attention, especially given the rapidly changing nature of their industry.

3) A study of justifiable price differentials. The Department of Agriculture should study the factors that comprise economically justifiable price differentials for hogs, including factors such as volume, time of delivery, carcass specifications, etc.

The Committee should also explore the inclusion of an investment tax credit provision for investments by pork producers in slaughter and processing facilities. Such a credit offers three main advantages to direct government support for such efforts. First, the

costs of collecting taxes and then administering payments are avoided, leaving more money available. Second, producers will have to make the investments before receiving government support. Third, producers will likely feel a greater commitment to the effort because they will feel more of a personal investment since they have to invest money first. Specifics of the credit amount, limits and qualifications would, of course, need to be worked out but we believe that this is a worthy idea to assist producers in owning more of the production/marketing chain and earning a larger share of consumers' food dollars.

In the last few years, NPPC has launched a number of new initiatives to help ensure that pork producers have a fair, transparent and competitive market for their hogs. Most of our efforts have focused on obtaining and disseminating more (and more accurate) information to producers and improving producers' abilities to make knowledge-based business decisions based on that information. Though more difficult and time consuming than legislation or regulation, we firmly believe that information and knowledge will be the main basis for long-term solutions to potential problems of competition in markets, especially in global markets for meat, protein and food.

Last summer's closure of the Farmland Foods packing plant in Dubuque, Iowa put U.S. daily slaughter capacity at about 380,000 per day; very near its level during the disastrously low prices of the fall of 1998. Several companies have added marginal amounts of new capacity or adopted new operating systems that have increased throughput so that daily capacity now stands at about 395,000 head. As the U.S. pork industry contemplates the need for new, efficient pork packing and processing capacity within the next five years, however, producers believe that effective competition from producer-owned entities or alliances may be another antidote to the tide of concentration in the pork-marketing sector.

NPPC supports legislation that will allow for the interstate shipment of meat that has been inspected by state departments of agriculture. We believe passage of this legislation will add competition in the market place and provide greater market opportunities for producer owned cooperatives and niche markets. However, to ensure acceptance by consumers, these state inspection systems must be equal to federal inspection and approved by USDA.

The Committee must be cognizant of the increase in the number of cooperative and other production and marketing alignments taking place across the landscape of American agriculture. Care must be taken to ensure that whatever legislative incentives the Committee may be contemplating to enhance market competitiveness or prevent market discrimination does not have the unintended consequences of snuffing out these innovative relationships in their infancy.

IV. Food Safety

U.S. pork producers have long recognized the importance of producing a product in which our domestic and international consumers could have the highest confidence. Since food safety is a continuum, effectively addressing food safety issues requires coordination throughout the food chain.

NPPC has developed research, technology transfer, and education programs in pork safety throughout the chain. Through this extensive work, it is clear that there are many challenges ahead and the need exists for much more information. Comprehensive food safety research "from the farm to the table" is needed to provide the necessary information to each segment of the chain to meet their responsibilities.

Congress needs to direct resources to undertake an extensive study using genetic fingerprinting to map the microbial environment of the U.S. pork industry and determine the sources of pathogens in swine and pork on a national level. The study should focus on organisms of specific interest to the pork industry. Samples should be taken throughout the production and processing environments. Different types of production systems must be included in the study. This information is needed to help develop and evaluate intervention strategies and make progress in reducing pathogen levels both on the farm and on the product.

In the Swine Futures Project discussed under the Animal Health section, on-farm quality assurance was identified as a need. While NPPC has implemented the very successful PORK QUALITY ASSURANCE[SM] Program since 1989, assistance is needed to help producers participate in evolving food safety certification programs. Industry and government agree that certification of production unit processes will become increasingly important for both domestic and international quality assurance reasons in the future. NPPC has been working cooperatively since 1994 with USDA to develop the Trichinae Certification Program. Additional assistance is needed in helping producers develop the skills to meet on-farm audit requirements and to participate in programs requiring audits.

Current and future availability of safe and effective animal health products is important to maintain healthy and productive animals, provide proper care for animals and ensure the consumer a safe and wholesome product. The role of animal agriculture's use of antimicrobials in the development of resistance in humans is the subject of much discussion and debate. Unfortunately, there has been a lack of adequate information to develop the needed risk assessments. NPPC supports enhanced efforts to gather information needed to perform risk assessments of animal product usage. Much research is needed to fill the data gaps for the risk assessments.

In addition, NPPC supports a strong, scientifically defensible national surveillance program for antimicrobial resistance in animals and people. The National Antimicrobial Resistance Monitoring System (NARMS) is providing critically needed information.

V. Animal Health

This Committee has been extremely supportive of past NPPC efforts in the areas of swine health and the prevention of foreign animal diseases.

Continual improvement in the health status of U.S. swine herds allows optimal expression of lean genetic potential, maximizes productivity and profitability and produces safe food. The U.S. pork industry's access to global markets depends on the health status of the nation's swine herds. Efforts must be enhanced to protect and improve the health status of U.S. swine. This includes completing the Pseudorabies and Brucellosis Eradication Programs, preventing the entry of foreign animal diseases, developing and implementing a world class animal health emergency management system, developing and implementing a comprehensive disease surveillance system, and establishing an emerging disease detection and response system.

A. Pseudorabies

It is important that we extend the Pseudorabies eradication program. The accelerated program has been enormously successful and has brought us very close to finally eradicating this disease, which costs pork producers $30 million each year. We had hoped that 2000 was the year America would be declared free of the disease, but an increase in infections in Iowa during the winter of 2000 set back the eradication date. Efforts to find and depopulate the infected herds have helped to decrease the number of cases greatly. As of March 8, there were 103 cases in Iowa, 6 in Nebraska, 2 in Minnesota, and 1 in New Jersey. Once the disease is eradicated from the domestic herd, there will still be a need for monitoring and surveillance for several years to ensure full eradication and to evaluate feral swine populations.

B. Biosecurity

The occurrence of a foreign animal disease such as Classical Swine Fever (Hog Cholera), African Swine Fever or Foot-and-Mouth Disease in U.S. swine would devastate the pork industry. We must not become complacent about the potential risks to the U.S. The U.S. has not had an outbreak of Foot-and-Mouth Disease since 1929. The recent outbreaks of Classical Swine Fever and Foot-and-Mouth Disease in the UK and also Foot-and-Mouth Disease in France and Argentina are perfect examples of the need to protect our U.S. animal agriculture.

At the 2001 Pork Industry Forum, a resolution was passed to direct NPPC to work on a continuous basis with APHIS to ensure all appropriate safeguards are being taken to protect U.S. animal herds from foreign animal diseases including the current Foot-and-Mouth Disease outbreaks. We are committed to doing just that.

An outbreak of a foreign animal disease here in the U.S. would have significant economic, trade and social impacts. In order to determine the economic costs to an industry, there are several factors that must be determined: 1) cost of diagnosis and

surveillance; 2) directs costs of depopulation, cleaning and disinfection, and quarantine; 3) direct, indirect, and induced losses in the economy of the country or state; and 4) losses due to trade restrictions (Murray and Thornber, 1999). A recent study from California presented eight different scenarios associated around a theoretical Foot-and-Mouth Disease outbreak with staggering economic losses. Depending on the duration of the outbreak and the geographical spread, the suggested losses ranges from $6 billion to $13 billion in just a few weeks time (Ekboir, 1999). Delaying the control or eradication of the disease was estimated to cost an addition $1 billion per day in trade sanctions (NIAA, 1999). The economic and trade losses would devastate the $100 billion animal agriculture industries.

Just as individual farms establish biosecurity guidelines to keep certain domestic diseases from entering their herd from other herds, the U.S. must have a comprehensive nationwide biosecurity or infrastructure system to prevent the introduction of foreign animal diseases from other countries. We rely on the Animal and Plant Health Inspection Service (APHIS) to provide the veterinary infrastructure to protect and promote the animal health of the U.S. livestock and poultry. However, the funding for APHIS has been decreasing over the past several years and we are weakening the infrastructure that is in place to prevent, diagnose and respond to a disease introduction. We cannot become complacent; these efforts need to be fully funded to protect the U.S. pork industry and all of animal agriculture.

C. Facilities

Research and diagnostic facilities are a vital component to the biosecurity infrastructure. Currently, we have facilities such as the APHIS and ARS facilities in Ames, Iowa and Plum Island, New York, that are in dire straits and in need of proper maintenance and repair or being rebuilt. We are limited at these facilities on the research that can be conducted and the development of new diagnostic technologies that would further protect our animal health. Plum Island needs the proper funding to maintain the site as it conducts the important work of foreign animal disease research and diagnostics. The joint plan presented by APHIS and ARS to build a $440 million Center of Excellence on animal health in Ames, Iowa is a top priority for the NPPC. This facility is antiquated and inefficient and currently does not meet international standards for animal care, personnel safety or biocontainment. A new facility is needed to meet these standards and to provide the best service possible to protecting the U.S. animal agriculture.

NPPC has been working closely with USDA as a member of the National Animal Health Emergency Management Steering Committee to respond in case of an emergency. The seven action guidelines outlined in the Steering Committee's Strategic Plan for a world class emergency management system must be implemented. They include:

- Strengthen Partnerships and Networks
- Reinforce Federal, State, and Industry Coordination
- Support Animal Disease Research and Diagnostics
- Improve Monitoring and Surveillance/International and Domestic Coordination

- Expand Training, Education, and Public Awareness
- Build a National Preparedness and Response Infrastructure
- Develop Emergency Preparedness and Response Contingency Plans

NPPC supports additional emphasis on these activities.

D. Surveillance

NPPC participated in a two-year project, the Swine Futures Project, with USDA, Veterinary Services, to determine what types of changes would be needed to meet the needs of the pork industry in the future. One of the areas identified as needing additional attention was health surveillance. Documentation of health status through surveillance systems is critical to maintain and expand both domestic and international market opportunities.

The need for surveillance includes being able to recognize emerging animal diseases, document disease status for trade purposes, and track overall health status of the national herd. NPPC supports the monitoring of significant swine diseases to help producers determine the costs of these diseases and the best approach to minimize their effects. This type of information is useful in improving production practices to lead to a more efficient, competitive industry.

The pork industry also needs surveillance systems capable of rapidly detecting an emerging health problem to allow resources to be quickly mobilized to limits it impact and spread. A collaborative process needs to be developed to determine how best to respond to emerging health situations after they are detected.

The Swine Futures Project listed over twenty-five recommendations in the surveillance and emerging disease areas that NPPC would like to see implemented.

E. Research

NPPC urges Congress to double agriculture research funding over the next five years. Funding in agriculture research has remained flat for the last 15 years while other federal research has significantly increased. This trend is no longer acceptable. Additional money is needed to enable producers to continue to produce safe and better food.

NPPC believes that future animal research should be built around the goals of the Food Animal Integrated Research (FAIR) 2002. FAIR 2000 was the second conclave on animal agriculture research and education priorities held in April 1999. The six goals of FAIR 2002 lay out the necessary steps to ensure that we raise the best quality animal products in ways that are economically competitive, environmentally friendly, and socially acceptable. These goals address the emerging issues and competitive gaps in a national strategy to keep the American animal industry successful. Success will require continued public investment in U.S. academic institutions and government laboratories.

Food Animal Integrated Research (FAIR) 2002 Research goals are:

1. Strengthen Global Competitiveness
2. Enhance Human Nutrition
3. Protect Animal Health
4. Improve Food Safety and Public Health
5. Ensure Environmental Quality
6. Promote Animal Well-Being

VI.Trade

A. Increase Market Access Program (MAP) Authorization

NPPC supports increasing the authorization of the Market Access Program (MAP). The program, which is currently authorized at $90 million, should be increased to $200 million. MAP has been instrumental in helping boost U.S. pork exports.

Unlike other sectors of the global economy, the agricultural sector is still rife with subsidized exports. While programs such as MAP have been reduced in recent years, our foreign competitors have continued to heavily subsidize and aggressively promote their products in an effort to capture an increasing share of the world market at the expense of U.S. producers. In fact, a recent USDA study shows foreign competitor nations outspending the U.S. by as much as 20 to 1. These nations are spending over $100 million just to promote their products into the United States – more than what the U.S. currently spends under MAP to help promote exports of all American grown and produced commodities world-wide.

Since it was originally authorized, MAP funding has been gradually reduced from a high of $200 million to its current level of $90 million – a reduction of more than 50 percent. In the face of continued subsidized foreign competition, this needs to be reversed. Without aggressive trade education and market promotion, U.S. pork exports will come under increased pressure from competing countries such as Brazil, Canada, China, Denmark, France, Korea, The Netherlands, Poland, and Spain, many of which subsidize their pork exports.

The MAP is a cost-share program through which farmers and other participants are required to contribute as much as 50 percent of their own resources to be eligible. Indeed, funding for pork export initiatives and foreign market development are largely supplied by the pork checkoff, which represents a percentage of the hog price received by the producer. The USDA Market Access Program and Foreign Market Development Program funds complement the pork checkoff expenditures in markets around the world. It has been and continues to be an excellent example of an effective public-private partnership.

Numerous success stories are available to demonstrate the impact of the MAP program on U.S. pork exports. One such success story is Mexico, which now ranks as the second leading export destination for U.S. pork after Japan. Having already established a presence in Mexico's processing sector and in supermarkets along the U.S. border where it receives favorable tariff treatment, U.S. pork continues to make headway in Mexico thanks in large part to the ongoing support provided by MAP funds. 1998 saw the first ever retail promotions of U.S. pork with retail chains in the Mexican interior. In December of 1998, the first-ever-nationwide U.S. pork promotion was conducted in Mexico. This promotion was designed to take advantage of the high demand for pork as part of the Mexican Christmas holiday. Sales reports from the 19 chains that participated showed that U.S. pork sales at their 250 outlets increased by 1.52 million pounds. A first-ever promotion for U.S. pork by the leading retail chain in the Yucatan Peninsula marks the initial penetration of U.S. pork into Southeast Mexico, the highest pork consumption region in Mexico and a traditional center of Mexican pork production.

Total pork foreign market development funding (private sector and USDA combined) has averaged approximately $10,000,000 per year. While this may seem like a large amount of funding, the U.S. Meat Export Federation, the cooperator responsible for conducting foreign market development programs for pork producers, carried out activities in 50 markets in 1999. This averages only $200,000 per market, not nearly enough to guarantee a presence for U.S. pork in these markets, let alone increase exports. Some markets such as Japan and Mexico require significantly more funding in order to begin building the reputation of U.S. Pork with the consumer.

An increase in Market Access Program funding is critically important to U.S. pork producers. More MAP dollars will help to increase exports, which boost farm incomes and rural economies.

B. Trade Promotion Authority Should Be Renewed

U.S. pork producers are major beneficiaries of the Uruguay Round Agreement and NAFTA. Our industry needs prompt renewal of trade promotion authority so that further trade agreements may be executed. These trade agreements permit U.S. pork producers to exploit their comparative advantage in international markets. The future of the pork industry rests, in large pork, on the ability to expand exports.

Since 1995, when the Uruguay Round Agreement went into effect, U.S. pork exports to the world have increased 55 percent in volume terms and 40 percent in value terms. In 2000 the U.S. exported a record 566,900 metric tons of pork valued at $1.316 billion. Pork exports from the U.S. to Mexico exploded in 1994 when NAFTA went into effect. Even with the devaluation of the peso U.S. pork increased market share in Mexico -- this never would have happened without NAFTA. Mexico is now the pork industry's second most important market behind Japan.

According to a study by CF Industries, exports were so important to the industry in 1997 (when cash hog prices were close to current prevailing levels) that cessation of exports

(due for example to an embargo or animal disease outbreak) would have caused cash hog prices to plummet by $15.73 per head. Research conducted by the Economic Research Service of the United States Department of Agriculture (ERS) indicates that for each dollar of value-added agricultural exports such as pork, $1.63 in additional U.S. economic activity is generated. Moreover, ERS calculates that every billion dollars in pork exports creates an additional 23,000 new jobs in the U.S. economy. Export-related jobs pay higher than average wages, providing good-paying jobs for American workers in rural and urban areas throughout the nation.

During the past decade the number of hogs processed in the United States increased from 85 million to 101 million while the pork derived from these hogs increased from 15.4 billion pounds to 19 billion pounds. While not all of this increase is attributable to exports, much of it is. As a consequence of this increased production, more people are employed in the supply and processing industries. This means that packers and processors will operate at higher levels of capacity and/or build new facilities. More U.S. inputs, such as corn and soybeans, and more U.S.-made machinery will be utilized. More packaging supplies are used and more shipping services are consumed. Exports contribute to the well being of rural America through such growth. Given that 96 percent of the world's population resides outside the United States, it is exports that will drive the future growth and viability of the industry. In the short term, the benefit will be higher prices. In the long run it will be a larger and growing, vibrant industry.

Indeed, the Cross-Commodity Analysis conducted by the Foreign Agricultural Service of the United States Department of Agriculture (FAS) underscores the important contribution of pork exports to the U.S. economy. The report states that:

> The shift toward greater exports of high-value foods such as meat instead of feed grain has major beneficial implications for the U.S. rural economy. First, expanding exports of red meat and poultry expands domestic demand for feed grain and oilseed meal. Second, the income multiplier effect from high-value exports is greater than from bulk commodity exports (2.88 versus 1.86). This means dollar-for-dollar, high-value exports generate more jobs than exports of bulk commodities.

Further, another study by FAS points out that if the U.S. exported meat instead of the feed grains used to produce meat in foreign markets, U.S. agricultural employment would increase by approximately 50 percent.

The United States is uniquely positioned to reap the benefits of liberalized world pork trade. U.S. pork producers are the lowest cost producers of the safest, highest quality pork in the world. But without the renewal of trade negotiating authority for the Executive branch by Congress, U.S. pork producers and the rest of U.S. agriculture will be forced to remain on the sidelines while other countries continue to negotiate new trade agreements at a staggering pace.

In order to expedite the WTO agriculture negotiations, U.S. trade officials need trade promotion authority. The longer the U.S. goes without renewing trade promotion authority, the longer the WTO agricultural negotiations will drag on. Trade promotion authority is also needed so that the U.S. can pursue trade liberalization regionally with our Western Hemisphere neighbors in the Free Trade Agreement of the Americas initiative (FTAA) and regionally with the countries of the Asia Pacific Economic Cooperation forum (APEC). Finally, trade promotion authority is needed so that the U.S. can pursue bilateral free trade agreements with countries such as Chile and Singapore. The U.S. pork industry is disadvantaged by the failure of the United States to keep up with the pace of trade agreements in the world. The rapidly expanding Brazilian pork industry -- a key competitor to the U.S. industry -- now has preferential access into many markets to the detriment of U.S. producers. Canada, another significant competitor, has gained preferential access into Chile and other Western Hemisphere nations through free trade agreements. While the United States sits idly by, Chile, Mexico, and Canada have wrestled away from the United States the mantle of the Western Hemisphere's trade leader. These countries along with the European Union are gaining the benefits of trade for their citizens while the U.S. engages in an over-hyped dialogue about the benefits of trade.

C. The U.S. Should Pursue a Zero for Zero on Pork in the WTO Negotiations

NPPC believes that the United States should adopt as a primary negotiating objective in the World Trade Organization agriculture negotiations the total elimination in the shortest possible time frame of all tariffs, all export subsidies and all trade-distorting domestic support for pork and pork products. The U.S. industry is ready to compete in a free and open environment; we believe that pork producers in a number of other countries are willing to do the same. Indeed, the Canadian pork industry has also asked its government to pursue a zero-for-zero initiative on pork and pork products and there is strong interest in this initiative in a number of other countries. The United States should use its negotiating leverage to push this objective with our more reluctant trading partners in order to ensure that we are afforded the opportunity to take advantage of our natural competitiveness.

D. NPPC Urges the Following Negotiating Objectives For Agriculture in the WTO

Fundamental liberalization in the pork industry can be most easily achieved in the context of an ambitious overall agreement in agriculture. NPPC supports an aggressive approach to this trade round which goes beyond the consensus Seattle Round Agricultural Coalition (SRAC) policy statement. Among other things, NPPC advocates the following points as general U.S. negotiating objectives for agriculture:

1. Tariff Reductions Must Be Accelerated

Notwithstanding the progress made in the Uruguay Round, tariffs on agricultural products remain very high. U.S. agricultural commodity tariffs, which according to the

Economic Research Service of USDA average only about 12 percent, are dwarfed by the agricultural tariffs of other nations, which range on average from 50 to 91 percent. Foreign tariffs on pork, beef, and poultry average about 80 percent according to ERS.

The best way to achieve such comprehensive liberalization is through the use of a tariff cutting formula that is applied to every product without exception. There are an infinite number of formulas that could be devised to cut tariffs, the "best" formula obviously depending on the results desired. NPPC prefers an approach like the Swiss formula used in the Tokyo Round negotiations, which resulted in substantially larger cuts in higher tariffs and had the effect of dramatically reducing the disparities in levels of protection. In addition, countries could engage in request/offer negotiations to achieve deeper-than-formula reductions for specific products. This segment of the negotiation would provide the opportunity to pursue the zero-for-zero objective in the pork sector.

2. The Administration of Tariff Rate Quotas Must Be Improved

In most instances, creating a TRQ satisfied the minimum access commitment for tariffied agricultural products in the Uruguay Round.
Unfortunately, in some cases, the administration of TRQ's has been used as an instrument to thwart imports. In the upcoming trade negotiations, rules on TRQ administration must be clearly delineated. In addition, ceilings must be established for over-quota duty levels.

3. Export Subsidies Should Be Eliminated

Data compiled by USDA shows that during GATT year 1998/1999, the EU subsidized more than 750,000 metric tons of pork exports, a subsidized tonnage that exceeds our entire amount of exports. NPPC supports the complete elimination of all export subsidies and the complete elimination of all trade distorting domestic support.

4. Trade-Distorting Domestic Support Should Be Further Disciplined

The pork industry recognizes the complexities of agricultural politics and acknowledges that farm programs often are designed to meet social as well as economic objectives. Nonetheless, it is essential for the next trade round to accomplish much stricter disciplines on trade-distorting domestic support programs than was possible in the Uruguay Round. The 20 percent reduction in the Aggregate Measure of Support (AMS) achieved in the Uruguay Round did not go far enough. We need to see further significant reductions. Moreover, those reductions should be applied on a commodity-by-commodity basis, rather than a sector-wide basis, as was the case under the Uruguay Round agreement. For pork, all trade-distorting supports should be eliminated, and all tariffs and export subsidies abolished as part of the zero-for-zero initiative.

The U.S. advocated commodity-specific domestic support reduction commitments until the final stages of the Uruguay Round negotiations. The sector-wide approach was the result of a Blair House compromise with the EU. As a consequence of this change,

countries such as the EU and Japan, both of whom have AMS limits over three times that of the U.S., have had significant flexibility to shift support between commodities and avoid painful reductions.

Of course, commodity-by-commodity commitments could also lead to changes in U.S. domestic programs. However, the potential gains in the world market from achieving disciplines on EU and Japanese policies justify the acceptance of more discipline on U.S. policy making. We have acknowledged this to be the case with respect to export subsidies and import barriers, and it is just as true for domestic subsidies. Without stronger disciplines and greater reduction commitments, our major trading partners will continue to be permitted to subsidize their producers at a significantly higher rate than the U.S.

5. The Peace Clause Should Not Be Extended

One of the most promising sources of meaningful leverage for the United States is Article 13 of the Uruguay Round Agreement on Agriculture – the so-called Peace Clause. Article 13, which was included in the Agreement at the insistence of the European Union, suspends until January 1, 2004, the application to agricultural products of certain WTO disciplines, the most significant of which are Articles 3, 5 and 6 of the Agreement on Subsidies and Countervailing Measures. With the expiration of Article 13, the EU would immediately be in breech of its obligations under Article 3 of the Subsidies Agreement, which prohibits export subsidies (Article 13(c)(ii)). At the same time, the U.S. would be in a position to begin dispute settlement proceedings under Article 6 against any domestic or export subsidies that are causing serious prejudice to U.S. exports in third-country markets (Article 13(b)(ii)). Obviously, these are powerful disciplines.

The Peace Clause expires automatically. The only way to extend it would be to negotiate a new agreement that includes similar protections. The EU, in particular, will have a strong incentive to achieve such an agreement and will presumably be ready to pay a high price for it. It should be much easier to achieve an agreement within three years that includes a phased elimination of export subsidies and meaningful disciplines on trade-distorting domestic subsidies if the EU is facing, in the absences of such an agreement, the immediate application of even stronger measures.

The United States should do everything possible to take advantage of the leverage offered by the Peace Clause. As a first step, the U.S. should publicly declare its willingness to allow the provision to expire. More important, the United States should begin preparing dispute settlement cases now against the European Union. The United States should be ready to file these cases against the EU under the Subsidies Agreement on January 1, 2004.

Of course, U.S. programs could also be challenged if the peace clause expires. However, the U.S. is much less exposed than the EU. AMTA payments, which account for a significant portion of U.S. support, would almost certainly be considered non-product-specific, and therefore non-actionable, under the Subsidies Agreement. Product-specific

programs in the U.S. are much less significant than those in the EU, and it is difficult to demonstrate a link between U.S. programs and level of U.S. exports.

More importantly, using peace clause leverage could actually reduce U.S. vulnerability to an eventually challenge. Doing so increases the likelihood of achieving a good agreement on agriculture before the end of 2003. Without such an agreement, the peace clause would inevitably lapse. In the context of such an agreement, the peace clause could be extended.

6. Export Credits Should Be Disciplined in the OECD

Under the Uruguay Round Agreement the United States committed, along with other WTO members, to negotiate disciplines on export credits and credit guarantees in the OECD. Unfortunately, the OECD talks have not yet produced an agreement. Now some countries are talking of developing disciplines in the WTO rather than the OECD.

The OECD has experience in the area of export credits, having administered for many years an agreement on export credits for industrial products. It is the proper place to develop disciplines for credit programs for agricultural products. Despite the fact that the United States is currently the biggest user of such credits, we have a long-run interest in imposing disciplines to guard against future abuses by our trading partners.

7. The S&P Agreement Should Not Be Reopened

The pork industry does not support opening the SPS Agreement for further negotiation in the next trade round. It is working well.

8. The U.S. Must be a Reliable Supplier of Agricultural Products

Trade liberalization is not a one-way street. If we expect food-importing countries to open their markets to U.S. exports and rely more on world markets to provide the food they need, we should at the same time commit to being reliable suppliers. Current WTO rules permit exporting countries to tax exports whenever they choose (GATT Article XI.1), and to prohibit or otherwise restrict exports to relieve domestic shortages (GATT Articles XI.2(a) and XX(i) and (j)). These provisions should be eliminated in conjunction with the phasing out of import barriers. Such a move would not affect the ability of the United States to impose trade sanctions for reasons of national security; that right would be preserved under GATT Article XXI.

E. NPPC Supports Global Food Assistance

NPPC supports the creation of a new international school lunch program designed to help feed hungry children, improve nutritional standards and provide an outlet for surplus U.S. agricultural products. We feel that this program, the Global Food for Education and Child Nutrition Act, presents a promising opportunity for American producers to assist children in struggling areas of the world. NPPC cautions, however, that it is important

for meat and dairy products to be fully represented to the greatest extent possible as this program goes forward.